

Report of the Task Force on Wind Energy

January 2020

RECEIVED
JAN 23 2020
CHIEF CLERK

January 16, 2020

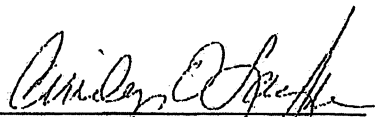
Elijah Haahr, Speaker
House of Representatives
State Capitol Building
Jefferson City, MO 65101

Dave Schatz, President Pro Tempore
Missouri Senate
State Capitol Building
Jefferson City, MO 65101

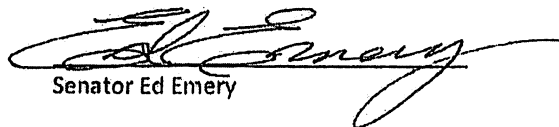
Dear Mister Speaker and Mister President Pro Tempore:

The Task Force on Wind Energy has met, taken testimony, deliberated and concluded its review of the method in which wind energy equipment owned by a public utility company is assessed and taxed statewide. The below listed committee members are pleased to submit the attached report:


Chairman Representative Allen Andrews

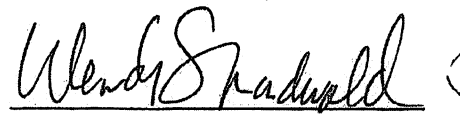

Vice Chairman Senator Cindy O'Laughlin



Representative Travis Fitzwater


Senator Ed Emery


Representative Tracy McCreery

Senator Shalonn Curls


Wendy Nordwald, Warren County Assessor


Susette Taylor, Atchison County Clerk

Sincerely,


Representative Allen Andrews
Committee Chair

Introduction

In the 2019 session of the Missouri General Assembly, members filed several bills to address the method in which wind turbines are assessed for property tax purposes. Through the testimony heard on the proposed bills, it became clear that there need to be a standard method to assess turbines throughout the state and that the tax revenue was important to the rural communities and needed to stay in the local taxing jurisdiction.

In response to these concerns, the General Assembly passed House Bill 220, which among other provisions, stated that beginning January 1, 2020, any public utility company which has ownership of any real or personal property associated with a project that directly uses wind energy to generate electricity will be taxed using a standardized methodology and that any real or tangible personal property associated with a project which uses wind energy directly to generate electricity will be valued and taxed by any state and local authorities having jurisdiction.

The bill also establishes the "Task Force on Wind Energy" to look into the concerns surrounding the assessment of turbines throughout the state. The members of the task force included Representative Andrews (Chair), Senator O'Laughlin (Vice-Chair), Representatives Fitzwater and McCreery, Senators Emery and Curls, Susette Taylor, Atchison County Clerk, and Wendy Nordwald, Warren County Assessor.

The task force held two public hearings on September 12 in Jefferson City and October 24 in Kansas City.

Summary of Public Testimony

I. September 12 Conference Call

At the September 12, 2019, conference call in Jefferson City, the task force elected a chair and vice chair, but took no public testimony.

II. October 24 Hearing

At the October 24, 2019, hearing in Kansas City, the task force heard testimony from several county officials including those appointed to the task force, wind energy developers, several utility companies involved in the production of energy in the state, and the State Tax Commission.

The county officials testifying before the committee stated that at least 35 states have utility-scale wind turbines and the tax assessments of the turbines range from a tax exemption to the cost of replacement less depreciation. The county officials testified that using a variation of the cost method for assessments would be the simplest method to standardize tax assessments across the state.

The wind energy developers and the utility companies both testified that the most important factors in tax assessments was predictability and uniformity across the state. The developers stated that the price per megawatt method is most predictable. If the cost method was used, it would be helpful, but varying levies would make it less predictable than the price per megawatt method.

The State Tax Commission testified that no statutory change would be necessary to continue to use the cost method to assess wind turbines. However, the General Assembly could tighten the language to ensure consistency in the application of the cost method across the state.

The taskforce concluded the meeting with an agreement to develop potential statutory changes to codify the use of the cost method for the assessment of wind turbines and would present the proposed legislation to the taskforce at a later meeting.

Recommendations

I. Standardize the Property Assessment of Wind Energy Projects

- A. Develop a statutory framework for local assessors to use a cost approach for assigning value to all real property, excluding land, or tangible personal property utilized in generating energy using wind.
- B. Develop a depreciation schedule that accounts for the depreciation of such property that uses:
 - 1. The original property cost provided by the taxpayer; or
 - 2. In the absence of the cost provided by the taxpayer, the assessor may use a cost guide.

II. Repeal Section 393.1073, RSMo

- A. This section established the Task Force on Wind Energy and will expire on December 31, 2019.

Appendix A: Hearings

- I. September 12, 2019 Conference Call
 - Location: Jefferson City, Missouri
 - Witnesses:
 - i. No Witnesses
- II. October 24, 2019 Hearing
 - Location: Kansas City, Missouri
 - Witnesses:
 - i. Aaron Baker, Ivenenergy
 - ii. Cara Hoover, Kansas City Power and Light
 - iii. Catina Shannon, Ameren Missouri
 - iv. Jamie Birch, Missouri Public Service Commission
 - v. Reed Bartels, Tradewind, Enel
 - vi. Rex Wallace, Nodaway County Assessor
 - vii. Rich Aubuchon, Liberty Utilities
 - viii. Rick Johnson
 - ix. Victor Callahan, Missouri State Tax Commission